The New Preaward Survey - Supplier Risk Management Prior to Award

Presented By: DCMA-OCS

Module 3
Risk Assessment

December 2001

Risk Assessment

MODULE 3 Topics

Performing the Preaward Survey. . .

- Pre-evaluation Meeting
- The Same Old Survey
- Post-evaluation Meeting
- Assessing Results; Assigning Risk
  - Functional Specialists
  - Preaward Survey Manager
- The Informal Preaward

DCMA
Defense Contract Management Agency

Risk Assessment

Pre-evaluation Meeting

- Pre-evaluation meeting (All Team members)
  - Team Leader
    - Communicates scope of survey to the team
    - Identifies customer concerns and areas unique to the offeror
  - Initial identification of Contractor and Procurement Risk
  - Coordinate onsite visit to the contractor facility.
    - Review who is responsible for what.
  - Review available potential supplier data

DCMA
Defense Contract Management Agency

Risk Assessment

The Same Old Survey!

Perform the Preaward Survey!

- Preaward Survey performed IAW Preaward Survey Program Guidebook!
- Nothing has changed, so far. . . .
- If the offeror is a “first timer,” provide **Prospective Offeror’s Guide to Preawards**

DCMA
Defense Contract Management Agency

Risk Assessment

Post-evaluation Meeting

- Post evaluation meeting(s) (All Team Members)
  - Review survey findings
  - Resolve inconsistent/conflicting information
  - Discuss proposed risk ratings and risk strategies
  - Discuss proposed recommendation.

Risk Assessment

Assessing Results; Assigning Risk

Functional Specialists:

- Functional Specialists prepare reports:
  - Suggested approach to writing a Risk Based Preaward Survey:
    - Write the report as you usually do; identify strengths and weaknesses
    - Apply risk based terminology
      - Nouns aren't risks… Use a verb…
    - Summarize the report/findings
      - Identify areas of High and Moderate Risk.
    - Assign risk ratings to report for risk factors:
      - Performance, Schedule & Cost
    - Conclude with recommendation to Customer

NO CANNED STATEMENTS OR COOKIE CUTTER REPORTS!

DCMA
Defense Contract Management Agency

Risk Assessment

Assessing Results; Assigning Risk

Functional Specialists:

- When assigning risk, ask yourself these questions. . . .
  - What is the likelihood that this contractor's processes/system/information will meet the terms of the contract to support the government's interest?
  - If the contractor's process/system/information fails to perform as required, what is the consequence (impact) on successful completion of the contract? Or Program (if known)?

NO CANNED STATEMENTS OR COOKIE CUTTER REPORTS!

DCMA
Defense Contract Management Agency

Risk Assessment

Risk Factors:

Performance Risk – Risk associated with performance necessary to meet contract requirements. Production capability (process risk) influences the technical risk and the nature of the product as described in the contract (product risk).

Schedule Risk – Risk associated with the adequacy of the time estimated and allocated for the contract. Two risk areas: 1) the risk that the schedule estimates and objectives are realistic and reasonable and 2) the risk that contract execution will fall short of the schedule objectives as a result of failure to handle performance, schedule or cost risk.

Cost Risk – Risk associated with the ability of the contractor to achieve his/her cost objectives. Two risk areas: 1) the risk that the cost estimates and objectives are accurate and reasonable and 2) the risk that contract execution will not meet the cost objectives as a result of the failure to handle performance, schedule, or cost risks.

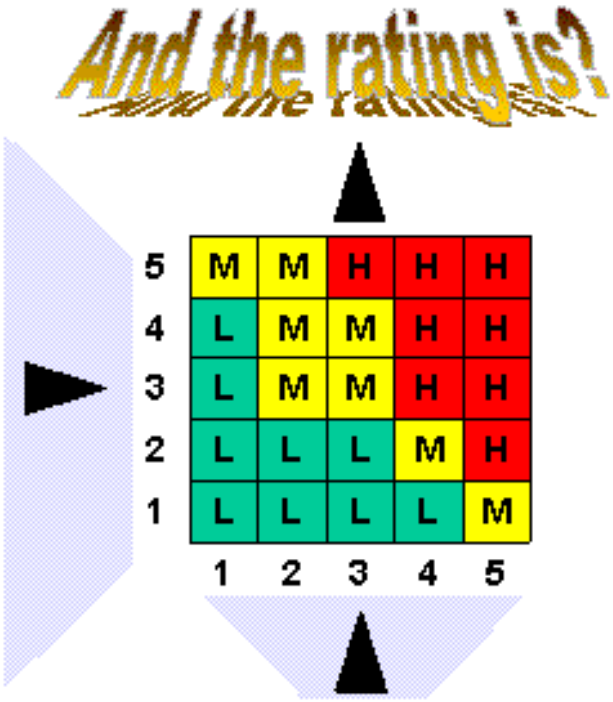
Risk Assessment

- Analyze Risk:
  - *When might the risk event occur?*
    - Under what circumstances?
    - When does customer need to act to avoid or mitigate?
    - What might happen as a result?
  - *How likely will the risk event occur?*
  - *What is the impact? Is it positive or negative?*
    - Impact: Ability to execute the contract.
    - What's the root cause? Where's the leverage?
  - *What can the customer control or influence?*
    - The probability of the event itself?
    - The probability of the possible outcomes?
    - The impact of the result?

DCMA
Defense Contract Management Agency

Risk Assessment

What is the likelihood the risk event will happen?		
Process Past Performance The process…	And/Or Process Characteristics The process looks like…	Level/ Likelihood
…Risk events are eminent and cannot be avoided under current conditions – incapable process (C_{pk} significantly <1.0)	Lack of planning and management for any process change; any success is due to individual effort/knowledge	5 Nearly Certain
…expects risk events and most of them are likely to occur – incapable process (C_{pk} slightly <1.0)	Process management based on experience with similar processes; successful practices used	4 Highly Likely
…anticipates risk events but may not avoid them – marginally capable process (C_{pk} approximately = 1.0)	Tech and management aspects of process documented; standards used; sub-processes understood and used to improve process	3 Likely
..has usually avoided or resolved risk events in similar cases – capable process (C_{pk} >1.0<1.6)	Quantitative management of process capability; trends are predicted	2 Unlikely
…will effectively avoid or resolve risk events using standard practices – highly capable process (C_{pk} >1.6)	Continuous improvement is norm; best practices used; process capability expanded routinely	1 Remote



Performance	Schedule	Cost	Level
Minimal or No Impact	Minimal or No Impact	Minimal or No Impact	1
Acceptable with some reduction in margin	Able to meet key dates	Budget increase or unit cost increase <5 %	2
Acceptable with significant reduction in margin	Minor slip in key milestone; not able to meet key dates	Budget increase or unit cost increase 5-7 %	3
Acceptable, no remaining margin	Major slip in key milestone or critical path impacted	Budget increase or unit cost increase >7-10 %	4
Unacceptable	Cannot meet major milestone(s)	Budget increase or unit production cost increase >10 %	5

What are the consequences if the contractor's processes/sys-tem/infor-mation fail to perform per the solicitation/ contract?

Risk Assessment

Assessing Results; Assigning Risk

Preaward Survey Managers/Monitors:

- Review all Functional Specialists reports after Supervisory review (covered in Module 4)
- Check for consistency/internal conflicts between reports that impact final report and overall ratings.
- Inconsistencies should be reconciled by Team Chief/ Functional Specialist
- PSM comments include:
  - Overall Risk ratings for risk factors
    - Performance, Schedule & Cost
  - Overall Risk Strategy
    - Emphasize/summarize High/Moderate areas of risk
  - Recommendation for Award/No Award

DCMA
Defense Contract Management Agency

Assessing Results; Assigning Risk

Preaward Survey Managers/Monitors:

- Provide recommendation Award/No Award
  - Risk Rating and Handling Strategy may impact final recommendation
  - A High risk rating does not necessarily mean a "no award" recommendation.

EXPECT A LEARNING CURVE AMONG REPORTS!

DCMA
Defense Contract Management Agency

Risk Assessment

The Informal Preaward

- Informal Preaward Survey process expanded
  - Document Informals in the SIS using PASS
  - Provide Risk Ratings if available
    - From Risk Management Plans
  - Allow up to 72 hours to respond
  - Provide Risk Management Plans if requested by customer.

DCMA
Defense Contract Management Agency

Risk Assessment

SAMPLES?

- You betcha! Sample Surveys are posted to the Preaward Survey Chapter. Paragraph 6.2.4

AN EXERCISE?

- Take an already completed survey (@ local CMO) and “convert” to a risk-based survey. The work is done, now apply the new concepts. Evaluate among colleagues @ a meeting.
- If the CMO desires: Send your sample risk-based surveys to your District POC for evaluation. HQ & District POCs will meet to evaluate your efforts & offer sound advice for

DCMA
Defense Contract Management Agency

Risk Assessment

End Risk Assessment . . . .

Begin Risk Handling . . . . MODULE 4